

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the matter of:

Numbering Resource Optimization

CC Docket No. 99-200

Implementation of the Local Competition
Provisions of the Telecommunications Act
of 1996

CC Docket No. 96-98

OPENING COMMENTS OF

**CALAVERAS TELEPHONE COMPANY
CAL-ORE TELEPHONE CO.
DUCOR TELEPHONE COMPANY
EVANS TELEPHONE COMPANY
FORESTHILL TELEPHONE CO.
HAPPY VALLEY TELEPHONE COMPANY
HORNITOS TELEPHONE COMPANY
KERMAN TELEPHONE CO.
PINNACLES TELEPHONE CO.
THE PONDEROSA TELEPHONE CO.
SIERRA TELEPHONE COMPANY, INC.
THE SISKIYOU TELEPHONE COMPANY
VOLCANO TELEPHONE COMPANY
WINTERHAVEN TELEPHONE COMPANY
(the "California Small LECs")**

**ON THE PETITION OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION AND
OF THE PEOPLE OF THE STATE OF CALIFORNIA
FOR AUTHORITY TO IMPLEMENT SPECIALIZED
OVERLAY AREA CODES**

I. INTRODUCTION

Pursuant to the Public Notice issued by the Wireline Competition Bureau on October 16, 2003, and in accordance with 47 C.F.R. sections 1.415 and 1.419, the California Small LECs offer the following comments opposing the California Public Utilities Commission's ("CPUC")

October 6, 2003 Petition for Authority to Implement Specialized Overlay Area Codes

("Petition"). The California Small LECs are small incumbent local exchange carriers ("ILECs") serving primarily rural and remote areas of Northern and Southern California.

By its Petition, the CPUC seeks FCC permission to implement two permanent, technology-specific area code overlays in California devoted exclusively to "non-geographic" or "transparent" numbers other than cellular numbers. The proposed Northern and Southern California "specialized overlays" ("SOs") would include all California numbers used for On-star, e-fax, automatic teller machines ("ATMs"), point of sale ("POS") services, pagers, voice over internet protocol ("VOIP") services, dialup numbers for internet service providers ("ISPs"), and lines for modems and fax machines used by business customers with 50 lines or more. The CPUC also seeks authority to order "take backs" of qualifying numbers in existing NPAs and a waiver of the 10-digit dialing requirement.

Although the FCC has lifted the absolute ban on "specialized overlays," the CPUC's unprecedented proposal does not meet the approval criteria outlined in the *Third Report and Order and Second Order on Reconsideration*, CC Docket Nos. 96-98 and 99-200, 17 FCC Rcd 252 (2001) ("*Third Report and Order*"). Since the proposed overlays would apply to many areas in the state that are not in need of area code relief, the CPUC's proposal exceeds the authority delegated to the states in the FCC's *Third Report and Order*. Even if it were properly authorized, however, the disadvantages of the proposal far outweigh its perceived advantages to number preservation. The SOs would impose significant industry costs, generate substantial customer annoyance and confusion, and have a discriminatory impact on providers of non-geographic services. Implementing an overlay over such a wide geographic territory would also raise a host of rating and routing issues, potential conflicts with number portability requirements, and a

possibility for greater stranding of numbers in certain rate centers. Further, since an overlay of this type and magnitude has never before been attempted, the identifiable problems are probably just the "tip of the iceberg." For these reasons, the California Small LECs urge the FCC to reject the CPUC's petition.

II. STATEWIDE "SPECIALIZED OVERLAYS" WOULD EXCEED THE CPUC'S DELEGATED AUTHORITY TO PROVIDE AREA CODE RELIEF

In the *Third Report and Order*, the FCC explicitly limited state authority to implement "specialized overlays" to "areas in which a state has properly determined that area code relief is needed." *Third Report and Order*, ¶80. Therefore, if not targeted to areas where numbering exhaust is imminent, a SO would exceed the CPUC's delegated authority to fashion area code relief. *See Third Report and Order*, ¶80.

While the 310 area code appears to be in dire need of area code relief, this is not true of the remaining 24 California area codes.¹ Rather than tailoring a specific solution to number exhaust in particular areas, the CPUC's proposal sweeps in the entire state. The overlays sought by the CPUC's petition are far broader than necessary to achieve the state's goals, and therefore the proposal exceeds the CPUC's proper authority. There is no need to subject all of California's communities, customers, and carriers to the burdens and costs of "specialized overlays" if more targeted area code splits will relieve the potential number exhaust only faced in a few areas.

Indeed, the only SO sanctioned by the FCC involved a showing of genuine need throughout the overlay area. In an order adopted May 16, 2003, the FCC approved a SO covering both of the existing area codes in the state of Connecticut. *Memorandum Opinion and Order*, CC Docket No. 99-200, FCC 03-114 (2003) ("*Connecticut Overlay Order*"). In seeking

permission for this overlay, the Connecticut Department of Public Utility Control demonstrated that both "the 203 and 860 area codes are projected to exhaust." *See Connecticut Overlay Order* at ¶8. No such showing has been made in this case, rendering the CPUC's proposals for a statewide SO fundamentally illegitimate.

III. THE DISADVANTAGES OF THE PROPOSED "SPECIALIZED OVERLAY" FAR OUTWEIGH ITS POTENTIAL BENEFITS.

As mandated by the FCC, states seeking to implement a SO bear the burden to "demonstrate that the benefits will outweigh the costs of implementing the specialized overlay." *Third Report & Order* at ¶80. State commissions should evaluate the advantages and disadvantages of a SO in light of the following eight factors: (1) what technologies are to be included in the overlay; (2) what geographic area will be covered; (3) whether the overlay will be transitional; (4) if the overlay is transitional, when it will become an "all-services" overlay; (5) whether the proposal will include "take backs;" (6) whether 10-digit dialing will be used in the overlay; (7) whether the overlay and the underlying area codes will be subject to rationing; and (8) whether the overlay will cover areas in which pooling applies.

Although the CPUC's petition touches on each of these factors, the CPUC does not devote adequate weight to the many costs, burdens, and problems that would be raised by a "specialized overlay." As set forth below, the benefits of the proposal are far outweighed by the inevitable difficulties.

¹ California has 25 total area codes, and will add a new area code shortly to relieve number exhaust in the 909 area code. The 909 area code split was approved at the CPUC's November 13, 2003 meeting.

A. The Proposal Would Generate Significant Costs and Administrative Difficulties for Carriers

Although the full cost of the proposed SO to carriers is difficult to measure, it is sure to be significant. As currently configured, carriers' networks do not distinguish between numbers based on how they are used. If carriers are required to assign "non-geographic" or "transparent" numbers to a separate area code, carriers would have to develop procedures for determining how a customer will use his assigned numbers. Upon service initiation, carriers would have to ask customers how they plan to use their numbers. Carriers would also have to ascertain whether the business customers are using more than 50 lines, and if so, how many of those numbers are being used for the designated overlay services. Answering these inquiries will further prolong the already-lengthy service initiation process, forcing carriers to devote additional resources to customer service. To administer the overlay, carriers would also have to begin tracking and cataloging customers' uses of numbers. Operation Systems Support (OSS) and billing systems would have to be upgraded, and number assignment protocols would have to be updated to reflect the new overlay. A substantial customer education effort would also have to be involved, much of which would be paid for by carriers. Implementing these massive SOs may also require significant investments by Neustar to ensure that the network remains reliable, and that calls continue to be routed properly. Of course, Neustar's costs are necessarily recouped from the industry.

If the CPUC's proposal to implement a "take-back" of existing numbers is granted, the problems for carriers would be magnified. Carriers would have to orchestrate a massive campaign to re-assign and re-program existing numbers in a separate area code, a movement which customers would be sure to resist. As the FCC has recognized, "take-backs have

significant drawbacks and costs, which need to be considered in determining whether a specialized overlay should include take-backs." *Third Report & Order* at ¶88. Absent a "strong showing that the consumer and industry costs associated with take-backs are outweighed by the optimization benefits of the take-backs," the FCC generally disfavors retroactively reassigning numbers to a new "specialized overlay." *Id.* at ¶88. The CPUC has not – and cannot – make a showing sufficient to justify "take-backs."

B. Implementation of a "Specialized Overlay" Will Produce Widespread Consumer Annoyance and Frustration

As with any area code modification, the CPUC's proposal would undoubtedly provoke a public outcry. If the CPUC's proposal is adopted, customers would be forced to disclose to their carriers how they will use the numbers assigned to them. Many customers view information about their use of telecommunications services as private, and would refuse to provide it. Customers have a reasonable expectation of privacy in this information that should not be violated, particularly not in exchange for the speculative benefits that the CPUC's proposal would provide. Moreover, a customer may not necessarily know how it will use particular numbers when he initiates service or adds a line. In dealing with customers who refuse to disclose the use of their number, it is unclear how the carrier should respond. These difficulties are left unresolved by the CPUC's petition.

Further, each time an area code has to be changed, customers face significant costs. They must inform their employees and business contacts of the new number. Business cards and promotional materials have to be reprinted. Radio, television, and other advertising has to be updated. Websites have to be redesigned. PBX customers may require upgrades to allow the system to accommodate the new area code. Business customers operating on closed networks

may require additional programming to ensure that 7-digit and 4-digit dialing capabilities continue to function properly. To avoid incurring these costs, customers may fraudulently represent to carriers how they intend to use their assigned numbers.

The arbitrary nature of the numbers assigned to the SO would raise other problems for customers. For example, it is unclear from the CPUC's petition exactly which services are "non-geographic" or "transparent." Although the definitions are clear for certain categories of services, others are more elusive. What if a customer wants to use a fax machine with a phone attached to it? Does the possibility of making a phone call from the fax machine exclude it from the SO? Or does the possibility of sending a fax automatically force that number into the SO? What if the customer declares that the number will be used 60% of the time for voice telephony, and 40% of the time for faxing? As technologies continue to converge, and the lines between particular service offerings become blurred, it will be increasingly difficult for customers and carriers to determine which designation applies.

Applying the overlay to business customers' modem and fax lines could also invite significant disruption, particularly for business customers with approximately 50 lines. For example, if a business customer has 45 lines, and adds 10 more, all of the qualifying fax and modem lines in his business would have to be switched to the overlay area code. If the customer later drops the same 10 lines, would all of the customer's lines then be switched back to the underlying area code? To force customers to undertake the expenses of an area code change every time they fluctuate above or below the 50 line threshold would be clearly unreasonable.

The general public would also experience various forms of confusion about the SO. At least at the outset, customers may believe they have a wrong number when their call is directed to a fax machine, VOIP, or e-fax number in the specialized overlay. For example, if a customer of a

Silicon Valley software manufacturer typically dials 650 to reach that business, the client will be surprised to receive a fax number from the same business designating a number outside of the 650 area code. This confusion could be particularly significant for out-of-state callers, who may not be as educated about the California SO. The confusion will certainly translate into lost business for those customers that are unlucky enough to have numbers in the SO. Businesses should not be forced to have different area codes for their telephones and their fax machines.

Furthermore, it would not be apparent to customers whether calling a number in the SO will be rated as a local call, a local toll call, or a long distance call. The very nature of the CPUC's proposal means that a number from the SO area code could be next door, 20 miles away, or hundreds of miles away. A customer in San Diego could unwittingly dial a Fresno number. Similarly, a Monterey customer could unexpectedly dial a number in Eureka or Redding. Customers are accustomed to using area code as a heuristic for assessing the anticipated charges to be incurred from a given phone call. When dialing into the SO, this guideline would be removed. Customers should not be put in a position to incur surprise long distance and toll charges when they believe they are dialing a local call. Of course, carriers would bear much of the burden of explaining and remedying this sort of customer confusion.

The customer annoyance from the SO will be compounded if the proposal includes "take backs" and does not include a waiver of the 10-digit dialing requirement. As resistant as customers may be to disclosing the uses of their numbers to carriers upon service initiation, they would be even less cooperative if the carrier is attempting to retroactively alter the area code of certain numbers based on the customer's response. Moreover, as illustrated by the public outcry accompanying CPUC's announced overlay of the 310 area code in 1999, consumers are fiercely

resistant to dialing 10 digits to reach numbers within their own area code. If 10-digit dialing is part of these state-wide SOs, the customer dissatisfaction with the proposal would be dramatic.

C. Forcing Providers of "Non-geographic" Services Into a Specialized Overlay Will Discriminate Against Certain Service Providers and Customers

The FCC has expressed continuing concern that service-specific overlays may place certain customers and service providers at a competitive disadvantage by segregating them in a separate area code. *Third Report & Order*, ¶¶71, ¶77. In particular, customers may be reluctant to order service from a particular carrier if they "do not have access to the numbers in the 'incumbent' area code." *Id.* at ¶71. As the FCC has recognized, SOs are particularly suspect where they include take backs, since certain providers are forced to "incur the cost and inconvenience of changing their numbers," while others remain in the underlying area code undisturbed. *Id.* at ¶77. Indeed, the FCC has rejected proposals for "specialized overlays" in other states based on the potential for discrimination. *See id.* at ¶78 (discussing rejection of the Ameritech proposal for a technology-specific overlay). If VOIP providers, ISPs, and paging companies are only allowed to issue numbers in the specialized overlay, they are likely to experience precisely this sort of discrimination. Permanent SOs run a greater risk of promoting discrimination than temporary SOs such as the one approved in Connecticut. *See Memorandum Opinion and Order* at ¶9.

Customers forced to use numbers in the specialized overlay could experience a similar sort of discrimination. In many instances, area codes act as a form of branding by creating associations between a business and the image it wants to convey in connection with its goods or services. For example, a Los Angeles talent agency might want a 323 area code to associate itself with Hollywood. A vineyard might desire a 707 number to demonstrate its Wine Country

location. A group of lobbyists might want a 916 number, to illustrate their proximity to Sacramento. If certain businesses are forced into the SO simply based on the number of lines they happen to have, they could be competitively disadvantaged.

D. The Establishment and Enforcement of the CPUC's Proposal Will Generate Significant Administrative Expenses, and Could Create Perverse Incentives For Carriers

To sort out all the possibilities and problems with this massive undertaking, the CPUC will have to put forth an extensive effort in coordinating with Neustar, carriers, customers, and assorted service providers. Additional resources would have to be expended in enforcing and investigating carrier practices under the SO proposal. These costs cannot be justified by the scant, speculative benefits that the SO might provide to number conservation.

Alternatively, if the CPUC fails to actively police the requirements of this proposal, carriers who follow the rules may find themselves at a competitive disadvantage to carriers who simply ignore the mandate to assign certain customers to the SO. Given the costs associated with the proposed SO, customers will already have incentives to avoid the CPUC's requirements. If given the opportunity, customers would flock to a carrier who would be willing to ignore the SO mandate. Absent a clearer statement from the CPUC as to how the SO requirements would be enforced, possibilities for regulatory arbitrage are certain to emerge.

E. The Proposal Conflicts with the Recent Movement Toward Number Portability and Transparency

By restricting customers' abilities to change the uses of their numbers over time, the SO proposal would conflict with the FCC's recent policies in favor of increased number portability. In its November 7, 2003 *Memorandum Opinion and Order* requiring wireline-to-wireless local number portability ("LNP"), the FCC articulated a clear policy that customers should be able to

"retain, at the same location, existing telecommunications numbers without impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another." *Memorandum Opinion and Order*, Docket No. CC 95-116, FCC 03-284 (2003). If a customer is forced to change his area code simply to use his number for faxing or internet access rather than voice telephony, the FCC's LNP mandates would be defeated.

F. The Supposed Advantages of the "Specialized Overlay" Are Speculative At Best

Unlike many of the difficulties detailed above, the advantages of the SO are unclear. First, the SO would not address any pressing need for area code relief. The CPUC freely acknowledges that a SO will not prevent a split of the 310 area code, since that area code has been predicted by NANPA to exhaust by the fourth quarter of 2003.² Further, the CPUC voted on November 11, 2003 to split the 909 area code, the other area code in dire need of relief. In the absence of a particular set of area codes that will benefit from the SO, there is no justification for imposing the disruption and cost of the SO on the entire state.

Further, imposing a permanent technology-specific overlay in each of the existing NPAs might actually promote number stranding, and thereby work against preservation of the NANP. The demand for the services to be assigned to the SOs is unknown, and could potentially be very small in certain areas for certain carriers. Even if numbers are assigned in thousand number blocks as proposed by the CPUC, many numbers could be stranded in the SO. The temporary nature of the Connecticut SO minimized the potential for stranding, since it will eventually include all providers. See *Memorandum Opinion and Order* at ¶9. This safety mechanism is not present in the California proposal, making it significantly more suspect.

² Even if the CPUC believed that this proposal could avoid a 310 area code split, the FCC specifically recommends against such a course of action: "SOs should not be implemented when the underlying NPA has a projected life span of less than one

On balance, the disadvantages of the proposed SO far exceed the potential that the SO will contribute substantially to preservation of the NANP. The CPUC's petition should be rejected.

IV. GIVEN THE COMPLEXITY INVOLVED IN A STATEWIDE "SPECIALIZED OVERLAY," UNFORESEEN PROBLEMS ARE LIKELY TO ARISE

The CPUC itself acknowledges that it "cannot today anticipate every issue nor propose a solution to unknown problems." *CPUC Petition* at p. 4. It is precisely these "unknown problems" which may pose the greatest obstacles to implementation of the CPUC's proposal. Nothing of this nature or scope has been attempted before. The implementation of three additional trunk groups at each California switch may have some unforeseen impact on network reliability, capacity, or even the operation of E911. Particularly when it comes to limitations that the SOs might place on the functionality of E911 services, the CPUC's proposal raises some important issues. Further, as technologies continue to proliferate, the categorization of services as "geographic" or "non-geographic" may become even more difficult, making it more and more difficult to determine which numbers belong in the SOs.

V. CONCLUSION


Before a state can implement a "specialized overlay," the FCC's *Third Report and Order* requires that state to demonstrate both a pressing need for area code relief, and that the benefits of the proposal outweigh the costs. The CPUC can show neither in this case. A perceived need for generalized area code relief in California cannot justify imposing the costs and burdens of an SO on carriers, customers, and consumers statewide. The CPUC's proposal runs the risk of various forms of discrimination against certain technologies and service providers, and holds the

year." *Third Report & Order* at ¶85.

possibility of increased number stranding. In light of these difficulties, and in light of the many difficulties with this proposal that cannot be reasonably foreseen, the CPUC's petition should be rejected.

Respectfully submitted,

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